



State of Utah

DEPARTMENT OF COMMERCE
Committee of Consumer Services

Minutes of the Meeting of the Committee of Consumer Services held at the Heber M Wells Building, Room #210, 160 East 300 South, Salt Lake City, Utah, on Thursday, June 12, 2008

Members of the Committee in Attendance:

Dee Jay Hammon
Andrew Riggle

Kelly Casaday (by phone)
Franz Amussen

Betsy Wolf
Robert McMullin

Staff in Attendance:

Michele Beck
Eric Orton
Ronnie Drake

Chris Keyser
Cheryl Murray

Paul Proctor
Dan Gimble

Members of the Public in Attendance:

No members of the public in attendance

1 Welcome and Business

Dee Jay Hammon called the meeting to order at 9:32 a.m. and welcomed all those in attendance. The next Committee Meeting is scheduled for Thursday, July 10, 2008 at 9:30 a.m., Heber M. Wells Building, room #210. Questions were raised regarding appointed positions and term expiration dates. Committee attorney Paul Proctor clarified the statute regarding appointed terms and transition periods for Committee members.

2 Minutes

Betsy Wolf made a motion to approve the May 8th Meeting Minutes. Andrew Riggle seconded the motion and it passed unanimously.

3 Public Comment

No comments received.

4. Questar Gas Company (QGC) General Rate Case

Eric Orton updated the Committee on the following QGC rate case issues:

- The Public Service Commission (PSC or Commission) held a hearing on QGC Return on Equity/Rate of Return. CCS recommended an ROE of 9%, DPU's recommended 9.25% and QGC recommended 11.25%. The Commission will make the final decision

- on ROE and incorporate it into its revenue requirement order.
- Due to ongoing discovery updates with QGC, staff altered its revenue requirement position from \$0.1M to approximately \$4.4M. Subsequent negotiation discussions with interested parties resulted in a settlement agreement of \$5.9M.
- Various cost-of-service issues being examined by staff may require ongoing investigation.

5. Rocky Mountain Power (RMP) General Rate Case

Cheryl Murray and Dan Gimble provided background and updates on the following RMP rate case issues:

- The PSC recently held a hearing on RMP's Return of Equity/Rate of Return. RMP requested a 10.75% ROE, DPU recommended 10.1%, and the CCS recommended 9.85%. The PSC will include its final ROE decision into its revenue requirement order.
- The PSC also held several days of hearings on the other revenue requirement issues. At the time of the hearing, significant differences remained between the positions of the major parties. The DPU recommended a rate increase of approximately \$42.2M, the CCS recommended an increase of only approximately \$8.5M, and other intervenors made selected adjustments. RMP accepted some of the adjustments and found an error in its calculation of tax normalization which resulted in its "new" revenue requirement request of approximately \$74.5M (5.6% increase). The PSC must rule by mid-August.
- CCS staff and consultants have identified specific issues with RMP's cost-of-service study which has created some concern for RMP's proposed cost allocations. Staff will continue to examine the Company's cost-of-service study and will propose changes in its testimony. Staff also outlined several areas of rate design which will be pursued and addressed in its upcoming testimony.
- Staff is in the process of evaluating consultant contracts and performances in preparation for the next rate case anticipated to be filed in July.

6. Rocky Mountain Power's Request for Waiver from RFP and Approval of Acquisition of New Generating Plant

Michele Beck provided background information regarding RMP's request and identified staff's concerns. Staff has raised legal argument regarding RMP's use of the approval process. Staff will be reviewing RMP's prudence for acquiring this specific resource, the dollar amount, and the timing for inclusion of those costs in rates.

7. Closed Session

Robert McMullin made a motion to go into closed session pursuant to Utah Code Section 52-4-205 (1)(c). Franz Amussen seconded the motion. It passed unanimously.

7.1 Franz Amussen motioned to go back into Opened Session, Andrew Riggle seconded the motion and it passed unanimously. The Committee was in closed session for

approximately 18 minutes. No motion was made.

8. Western Electric Coordinating Council Overview (WECC)

CCS consultant Nancy Kelly gave a presentation on the Western Transmission Organization; WECC's background, governance, and structure; the drivers of change; and the major initiatives, issues, and implication for Utah customers.

9. Telecom Capital Structure Rulemaking

Eric Orton updated Committee on the Utah Rural Telecom (URTA) proposed rule with the PSC, URTA's purpose for the proposed rule was to seek "equitable consistency" among the telecom companies. Staff supports the agreement as it is emerging and will work with the Division of Public Utilities in pursuing the conditions on use of proxy for low-equity companies.

10. Rocky Mountain Power's Request for a Certificate of Convenience and Need to Construct a New Large Power Line

Michele Beck updated the Committee on RMP's request for a Certificate of Convenience and Necessity (CNN) for a new transmission line from a substation by the airport up through northern Utah into southern Idaho. Some opposition exists from local citizens and governmental units in Box Elder County regarding the siting of this line. The Public Service Commission has made it very clear in its scheduling order that the PSC process must only consider the need for the facility and has no authority regarding the siting. CCS staff will focus its efforts solely on the need for the line, consistent with the PSC's authority, and will continue to assist consumers in understanding the process.

11. Case Updates

Michele Beck updated the Committee on the following cases:

- Questar filed a new pass-through case on June 5, 2008. Questar proposed a \$380 million total increase (40%) in two steps. Market forces are driving up the prices. Staff will continue to work on gas cost management with the Company and will also continue to help consumers manage their costs by encouraging conservation.
- Telecom rate cases have been filed by Cedar Valley, Manti, Carbon/Emery, and South Central. CCS staff proposes to take a new approach in these rate cases, in order to better monitor telecom issues within staffing constraints. Staff will review the DPU's analysis and audit, choose certain public interest issues to monitor, and submit policy statements, as needed.
- Rocky Mountain Power recently submitted its Integrated Resource Plan (IRP) update. Staff is examining how much review is appropriate, since many issues will be fundamentally changed in the next full IRP.
- The PSC released a draft Order on new IRP Guidelines for Questar Gas Company. Many concepts advanced by the Committee last year were incorporated in the PSC's draft order, and staff provided additional comments for potential incorporation in the

final order. Questar has also filed its 2008 IRP. Staff has reviewed and will provide minimal comments to the Commission, since the next IRP will be incorporating the guideline changes that are currently in process

- Staff has participated in recent Western Climate Initiative (WCI) meetings and will continue to monitor and seek Utah forums to provide input, as necessary.
- Documentation of Committee policies and procedures has been delayed. Staff will move forward with drafting the policies and procedures, as time allows, and provide a complete draft later this year for Committee edits and approval.

12. Other Business/Adjourn

No other business was discussed.

Franz Amussen made a motion to adjourn; the meeting adjourned at 2:05 p.m.